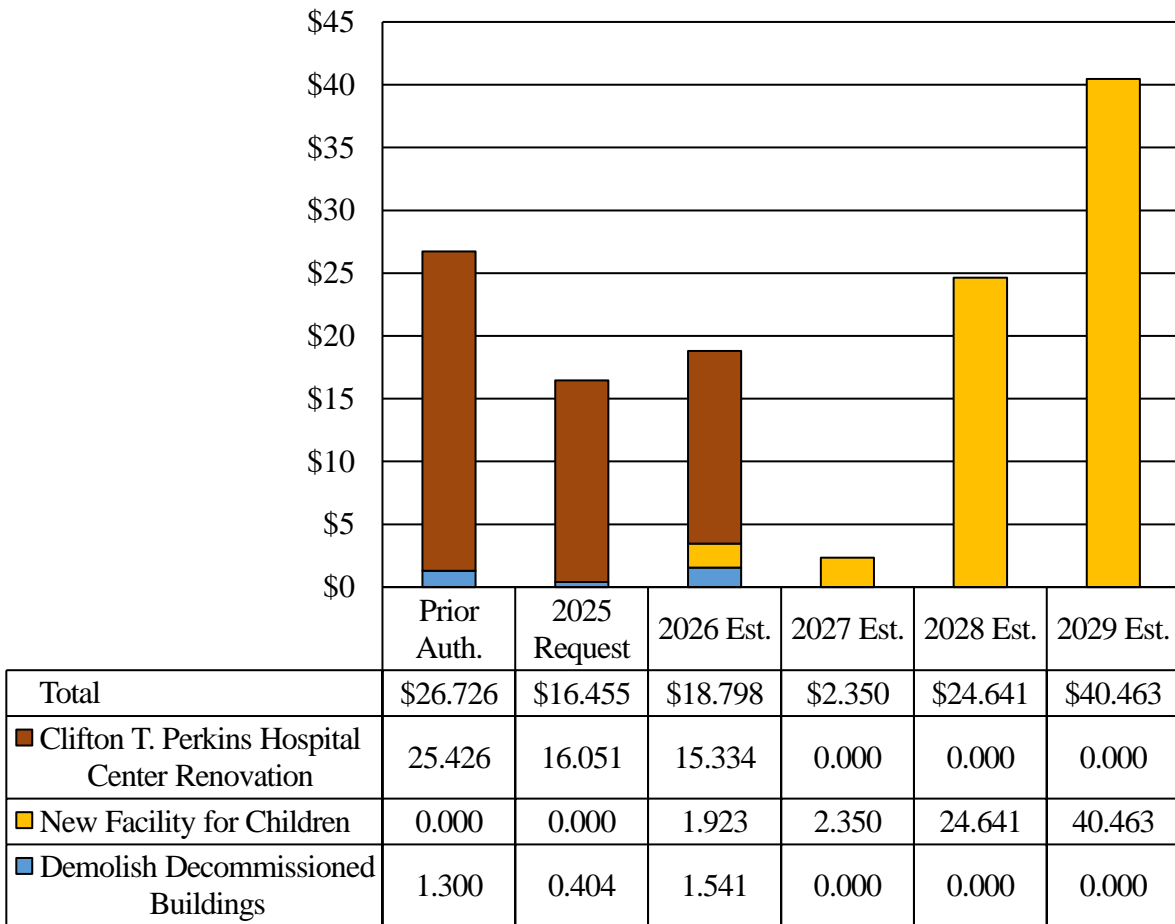


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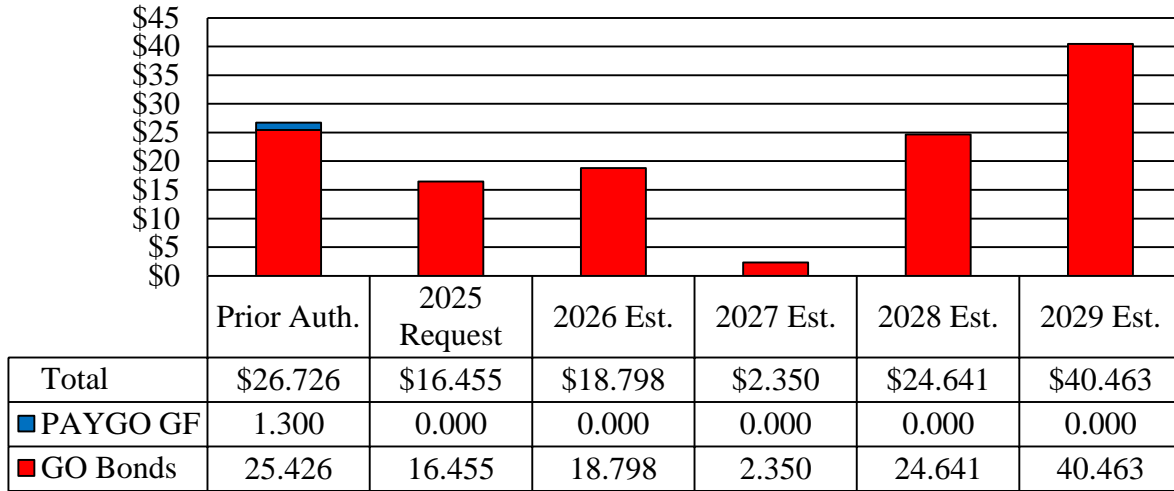
Capital Budget Summary

The Maryland Department of Health (MDH) capital budget includes funding to maintain and improve the 11 State inpatient facilities and hospital centers that make up the MDH Healthcare System and offset capital expenses of local health care providers through two different grant programs. The MDH Healthcare System serves approximately 1,900 patients. Budgetary and policy information related to MDH Healthcare System operations is included in the M00A01 – MDH – Administration operating analysis.

State-owned *Capital Improvement Program* by Project
(\$ in Millions)

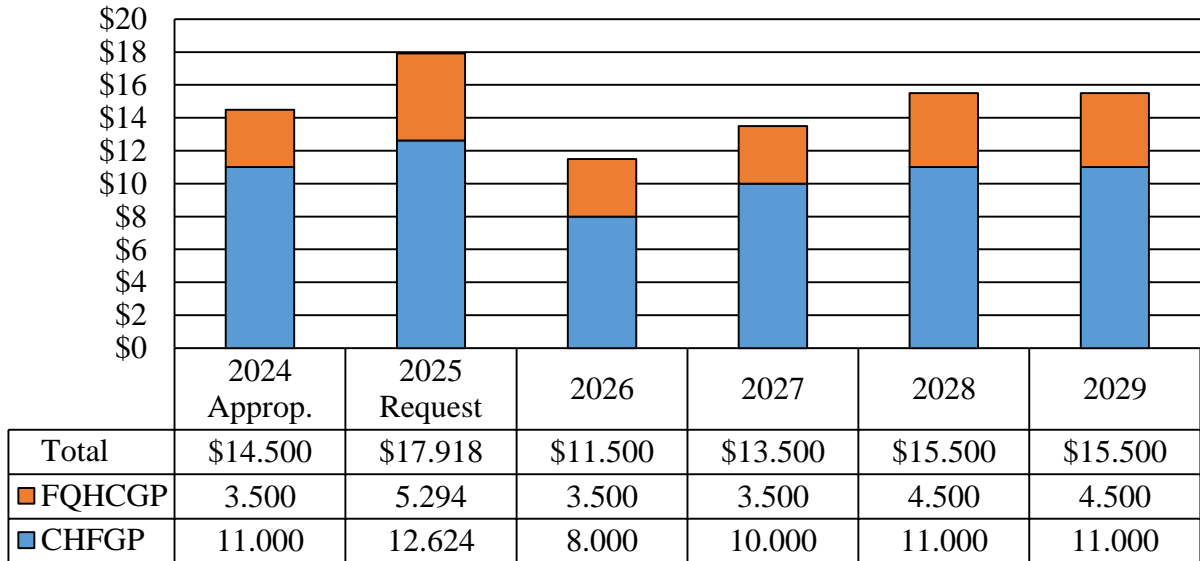


State-owned Capital Improvement Program by Fund Source



GF: general funds
 GO: general obligation
 PAYGO: pay-as-you-go

**Grant and Loan Capital Improvement Program
 (\$ in Millions)**



CHFPG: Community Health Facilities Grant Program
 FQHCGP: Federally Qualified Health Centers Grant Program

Note: The Maryland Department of Health Capital Grant Program is funded entirely with general obligation bonds.

Key Observations

- ***MDH Updates the 2041 Facilities Master Plan (FMP):*** In fiscal 2022, MDH released its 2041 FMP detailing the department’s 20-year strategy to improve and maintain the MDH Healthcare System. In response to language in the fiscal 2024 capital budget bill, MDH submitted a report on January 23, 2024, describing updates the department has made to the FMP. The main updates include halting divestiture of Deer’s Head Hospital Center (DHHC), Western Maryland Hospital Center (WMHC), and Upper Shore Community Mental Health Center (USCMHC); accelerating plans for the new Facility for Children (FFC) and high-intensity residential treatment center (RTC); and pausing construction of 24-hour behavioral health crisis centers and a new Secure Evaluation and Therapeutic Treatment (SETT) Center to reassess current and future need. MDH intends for the FMP to evolve with the State’s changing health needs.

GO Bond Recommended Actions

1. Approve all authorizations and preauthorizations for the Maryland Department of Health.

Updates

- ***MDH Removes Funding for Behavioral Health Crisis Centers and New SETT Center from the 2024 Capital Improvement Program (CIP):*** As MDH assesses the scope of and need for these projects, it has deleted the projects from the current CIP. Funding for behavioral health crisis centers was accelerated in the 2022 CIP due to urgent need but deferred in last year’s CIP to direct funding to other capital priorities. The 2023 CIP included funding for the new SETT Center in Howard County beginning fiscal 2025 but due to changing priorities at MDH, this project is not included in the 2024 CIP.
- ***Spring Grove Hospital Center Transferred to the University of Maryland Baltimore County (UMBC) in Fiscal 2022:*** In alignment with the FMP, Spring Grove Hospital Center was transferred from MDH to UMBC in fiscal 2022. MDH continues to operate services for the approximately 400 adults and adolescents admitted to Spring Grove. To complement the FMP, MDH will conduct a Services Master Plan to assess the capacity and scope of the service lines currently offered by MDH Healthcare System facilities. MDH reports that this plan will allow the department to develop a capacity plan for Spring Grove and inform future decisions regarding facility needs and the capacity of the hospital center.

Summary of Fiscal 2025 Funded State-owned Projects

The 2024 CIP includes \$16.5 million in general obligation bonds for two State-owned projects. Funding for the Renovation of Clifton T. Perkins (Perkins) Hospital North Wing project will support continued construction and equipment costs. The Demolish Decommissioned Buildings authorization will fund the demolition of dormitories at Perkins and the Regional Institution for Children and Adolescents (RICA) in Baltimore City (RICA – Baltimore).

Renovation of Clifton T. Perkins Hospital North Wing

Project Summary: This project will renovate the 80-bed North Wing at Perkins in Jessup to a maximum-security level and construct a new food service center and admissions area in the maximum-security wing. The renovation will reduce the number of beds from 80 to 68 but increase MDH’s capacity to serve individuals requiring maximum-security level placement. In addition, planned increases in bed capacity across other MDH Healthcare System buildings will surpass the decrease so that systemwide capacity grows. The fiscal 2025 capital budget includes \$15.7 million to continue construction and \$400,000 for equipment costs.

New/Ongoing: Ongoing	
Start Date: September 2021	Est. Completion Date: February 2026

Fund Sources:								
(\$ in Millions)	Prior Auth.	2025	2026	2027	2028	2029	Beyond CIP	Total
GO Bonds	\$25.426	\$16.051	\$15.334	\$0.000	\$0.000	\$0.000	\$0.000	\$56.811
Total	\$25.426	\$16.051	\$15.334	\$0.000	\$0.000	\$0.000	\$0.000	\$56.811

Fund Uses:								
(\$ in Millions)	Prior Auth.	2025	2026	2027	2028	2029	Beyond CIP	Total
Planning	\$5.112	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$5.112
Construction	20.314	15.651	14.809	0.000	0.000	0.000	0.000	50.774
Equipment	0.000	0.400	0.525	0.000	0.000	0.000	0.000	0.925
Total	\$25.426	\$16.051	\$15.334	\$0.000	\$0.000	\$0.000	\$0.000	\$56.811

- **Need:** Perkins is the only forensic maximum-security psychiatric treatment facility in Maryland. The facility has experienced an increase in the average length of stay of patients, a lack of capacity for court-ordered patient admissions, an increase in wait times, and a patient population that surpasses budgeted bed counts. If the North Wing is not renovated for maximum-level occupancy and the current growth of patient census continues, Perkins and MDH will have no maximum-level beds available for admission of court-ordered forensic maximum-level patients.

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- ***Project Status and Schedule:*** The project was delayed by seven months due to longer design times for an expanded scope. According to the 2024 CIP, construction was expected to begin February 2024. However, MDH reports that the construction contract is currently in the procurement process. As a result of the delay, the fiscal 2025 budget only includes \$16.1 million for the project, compared to \$26.1 million that had been planned for fiscal 2025 in last year’s CIP. The capital budget bill preauthorizes \$14.8 million for fiscal 2026.
- ***Changes:*** Compared to the 2023 CIP, the project scope expanded to include additional upgrades to the kitchen renovation. This change led to a seven-month delay in design time and the overall project timeline. The total construction costs increased by nearly 20% from the 2023 CIP, by \$8.3 million, due to increases in costs of materials and supplies needed to construct the dormitories.
- ***Concerns:*** During the renovation, MDH will temporarily relocate up to 40 patients from Perkins to Springfield Hospital Center. These medium-security level patients will return to Perkins once the North Wing renovation is completed. **MDH should comment on how it will assure that the relocation will have as low of an impact as possible on patient treatment and additional staff workload.**
- ***Other Comments:*** Plans for Perkins remain in alignment with the 2041 FMP, which recommended maintaining and renovating the hospital rather than replacing it.

Demolish Decommissioned Buildings

Project Summary: This project identifies and demolishes decommissioned vacant buildings at MDH facilities that are deemed unsuitable for restoration or renovation due to fiscal, operational, and health safety concerns. Currently MDH has plans to demolish two dormitory buildings at Perkins and a dormitory at RICA – Baltimore. The project includes abatement of asbestos and hazardous materials to restore the sites for the construction of new facilities as recommended by the FMP.

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New/Ongoing: Ongoing								
Start Date: May 2024					Est. Completion Date: April 2026			
Fund Sources:								
(\$ in Millions)	Prior Auth.	2025	2026	2027	2028	2029	Beyond CIP	Total
GO Bonds	\$0.000	\$0.404	\$1.541	\$0.000	\$0.000	\$0.000	\$0.000	\$1.945
GF	1.300	0.000	0.000	0.000	0.000	0.000	0.000	1.300
Total	\$1.300	\$0.404	\$1.541	\$0.000	\$0.000	\$0.000	\$0.000	\$3.245
Fund Uses:								
(\$ in Millions)	Prior Auth.	2025	2026	2027	2028	2029	Beyond CIP	Total
Planning	\$0.275	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.275
Construction	1.025	0.404	1.541	0.000	0.000	0.000	0.000	2.970
Total	\$1.300	\$0.404	\$1.541	\$0.000	\$0.000	\$0.000	\$0.000	\$3.245

- **Need:** Following the infrastructure and safety assessment of MDH Healthcare System buildings included in the FMP, MDH identified two dormitory buildings at Perkins and one RICA – Baltimore dormitory that were unsuitable for patient habitation. Because the department will not renovate these structures, it is recommending demolition so that these areas can be cleared and reconfigured for new buildings according to State healthcare needs.
- **Project Status and Schedule:** The Department of General Services retained design services for the Perkins dormitory demolition on MDH’s behalf. MDH anticipates design to be complete by fall 2024. The 2023 CIP recommended \$2.4 million for the two demolition projects in fiscal 2025, but the total construction cost was reduced in the 2024 CIP to \$1.9 million. The 2024 CIP recommends \$404,000 in fiscal 2025 and defers the remaining \$1.5 million to fiscal 2026 due to delays in the RICA – Baltimore project. The capital budget bill preauthorizes the \$1.5 million for fiscal 2026. Demolishing the RICA – Baltimore dormitory required approval from the Maryland Historical Trust, which approved the demolition in March 2023. MDH submitted the project to the Department of Budget and Management (DBM) for approval in June 2023 and anticipates completing demolition of RICA by spring 2026.
- **Changes:** The project scope decreased from the project proposed in the 2023 and 2024 CIPs. The current scope no longer includes the demolition of two complexes at Springfield Hospital Center. As a result, the funding recommended in the 2024 CIP for the entire project totals \$3.2 million, compared to \$3.7 million recommended in the 2023 CIP.
- **Other Comments:** Prior authorizations for the project total \$1.3 million in pay-as-you-go general funds. MDH has not identified any other buildings for decommissioning and does yet have plans for funding future projects.

Summary of Out-year State-owned Projects

New Facility for Children and High-intensity Residential Treatment Center

The FFC program supports children and adolescents who have been court-ordered to complete a competency evaluation and, depending on the outcome of the evaluation, to seek treatment at an appropriate MDH facility. The high-intensity RTC program serves youth experiencing severe behavioral health challenges and emotional distress. Growth among the FFC population is outpacing MDH capacity. The new facility will increase capacity by 48 beds for patients in both programs on the RICA – Baltimore campus. In addition, the facility will include a school, infirmary, dining space, recreation areas, and administrative spaces.

Compared to the 2023 CIP, the 2024 CIP recommends an expanded scope and \$42.9 million increase in costs. The 2023 CIP planned \$26.4 million for 36 new beds at RICA – Baltimore, including 18 FFC beds beginning in fiscal 2026. The 2024 CIP includes \$69.4 million in total project costs from fiscal 2026 through 2029. In addition to the increase in bed spaces, the cost increases are attributed to increases in the cost of supplies and materials necessary to build appropriate environments for children and adolescents in the FFC and high-intensity RTC programs. These program participants require durable and specific facilities to ensure the safety of themselves, peers, and staff. The additional bed space also requires additional classrooms. Individuals with acute behavioral and emotional needs benefit from educational settings with one or two additional peers, and, therefore, as the RICA – Baltimore facility’s capacity for children grows, more space is required to provide sufficient educational spaces for all program participants. As part of its updates to the FMP, MDH accelerated FFC construction from phase II (fiscal 2027 to 2031) to phase I (fiscal 2022 to 2026).

Budget Overview of Grant and Loan Programs

MDH operates two grant and loan programs, the Community Health Facilities Grant Program (CHFGP) and the Federally Qualified Health Centers (FQHC) Grant Program. The fiscal 2025 capital budget includes deficit adjustments in each of these programs resulting from an accounting procedure that reported unencumbered, obligated funds as “available fund balance.” Funding obligated to projects that had not encumbered any funds within two years was considered available to fund future projects. Therefore, each fiscal year, MDH received fewer funds than it obligated to projects, creating a deficit. MDH reports that it has been working with DBM to change this accounting procedure to avoid reallocating obligated funds to new projects moving forward and calculated a one-time budget deficit adjustment to avoid a funding availability shortfall should grantees accelerate the encumbrance of funds within the allowed seven-year time frame. DBM and MDH will implement the new accounting practice with the submission of fiscal 2026 capital budget request materials. MDH also said that it would prioritize recommending funding for grantees that have demonstrated greater capacity to complete their projects, including securing requisite matching funding, fully researching their needs and potential barriers to completing the

projects, and a demonstrable ability to spend their awards quickly to turn the projects around with as few delays as possible.

Community Health Facilities Grant Program

The CHFGRP provides capital grants to nonprofit organizations for the acquisition, design, construction, renovation, and equipping of facilities that provide mental health, developmental disabilities, and substance use disorder treatment services. The CHFGRP assists with expanding the capacity of private residential facilities within communities, contributing to minimizing the number of patients in State-owned facilities or hospitals. MDH prioritizes funding projects that support the department’s goal of increasing the availability of affordable, accessible housing for individuals with mental health, substance-related, or co-occurring disorders. The State may fund up to 90% of eligible capital costs for each project.

The 2024 CIP includes \$12.6 million for two Community Health Facility grants and a deficit adjustment. This is \$6.1 million more than projected for fiscal 2025 in the 2023 CIP, which did not account for the deficit and recommended different projects from the fiscal 2025 request. **Exhibit 1** shows the projects proposed for the CHFGRP in fiscal 2025, both of which do not anticipate needing future State funding. Neither of these projects have received prior funding. The 2023 CIP indicated future funding needs totaling \$18.6 million for 5 of the 12 projects included in it, but none of these are included in the fiscal 2025 request. MDH reports that it is prioritizing funding the program deficit and investing in projects that have already secured matching funds and appear prepared to complete their projects efficiently. MDH will request funding in the next CIP for ongoing projects that demonstrate their capacity to complete their projects in a timely and efficient manner.

**Exhibit 1
Fiscal 2025 CHFGP Projects
(\$ in Millions)**

<u>Project and Description</u>	<u>Total Cost</u>	<u>Fiscal 2025 Request</u>	<u>Future Request</u>	<u>State Share</u>
Community Support Services, Inc. – Community Resource Center Development Project Renovation (Montgomery): Renovation of resource center that is providing community-based services to individuals with autism and severe developmental disabilities.	\$3.783	\$2.837	\$0.000	75%
Life Crisis Center, Inc. – Facility Addition (Wicomico): Addition to the existing facility for a new waiting area, boardroom, offices, bathrooms, therapist offices, and play therapy rooms. Expansion will include stormwater management improvements and the addition of 12 parking spaces, including ADA accessible spaces and access.	2.519	2.267	0.000	90%
Deficit Adjustment (Statewide)	7.520	7.520	0.000	100%
Total	\$13.822	\$12.624	\$0.000	

ADA: Americans with Disabilities Act
CHFGP: Community Health Facilities Grant Program

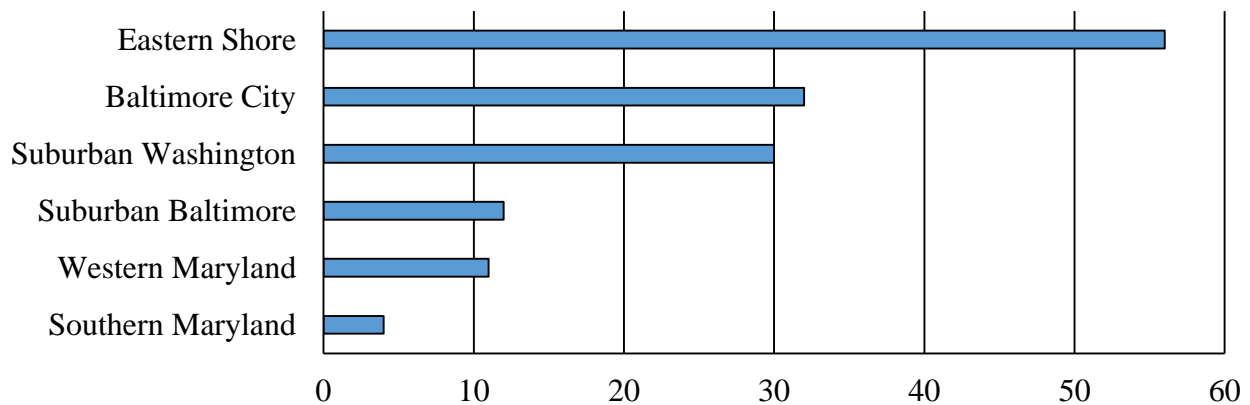
Source: Department of Budget and Management

Federally Qualified Health Centers Grant Program

MDH provides grants to private nonprofit organizations that have been designated by the federal government as FQHCs. To qualify for designation as a FQHC, an area must first be designated by the federal government as a Medically Underserved Area or serve a Medically Underserved Population based on criteria established by the U.S. Department of Health and Human Services. The centers, which must offer services to all persons regardless of their insurance status or ability to pay, provide primary, preventive, and specialty health care services. The State provides grants for up to 90% of eligible capital costs for the acquisition, design, construction, renovation, and equipping of FQHC facilities.

As of August 2023, 22 FQHC organizations served the State through 145 service delivery sites, including 1 urban Native American clinic in Baltimore City; 3 clinics based in the Washington, D.C. metro area; and 1 rural health clinic in Washington County. These organizations provide a network of administrative and service delivery sites across Maryland, including dental, mental health, and/or primary care services. **Exhibit 2** shows the distribution of FQHC organizations by region. The Eastern Shore region includes nine counties and has 56 FQHCs. Calvert and Carroll counties are the only counties in Maryland without a FQHC.

Exhibit 2
Maryland Federally Qualified Health Centers by Location



Source: Department of Budget and Management

The 2024 CIP recommends funding for three projects, all of which received funding in prior fiscal years and are in the construction phase in fiscal 2025. These projects and their costs are shown in **Exhibit 3**. Funding recommended for fiscal 2025 projects totals \$2.3 million. The CIP also addresses a \$3.0 million deficit, representing the cumulative deficit from projects which encumbered funds beyond the two-year reporting period, as noted in previous sections of this analysis.

**Exhibit 3
Fiscal 2025 FQHC Projects
(\$ in Millions)**

<u>Project and Description</u>	<u>Total Cost</u>	<u>Prior Auth</u>	<u>Fiscal 2025 Request</u>	<u>Future Request</u>	<u>State Share</u>
Choptank Community Health Systems, Inc. – New Medical Care Facility (Caroline): Construct a new one floor, approximately 21,000 net square feet/25,000 GSF facility on Hayman Drive in Federalsburg for Choptank Community Health Systems, Inc. The new facility will replace the current existing facility located at 215 Bloomingdale Avenue in Federalsburg.	\$9.984	\$1.000	\$0.825	\$0.675	25%
Community Clinic Health and Wellness Services, Inc.— Renovation and Expansion (Prince George’s): Renovate and expand an existing space on the Fort Washington Medical Center campus to add primary care, increasing the number of primary care providers in Prince George’s County to better meet the demand.	2.167	0.625	1.000	0.000	75%
Greater Baden Medical Services, Inc. – New Clinic Facility (Prince George’s): Acquire and construct a new 40,000 GSF facility located at Ritchie Station Court in Capitol Heights for Greater Baden Medical Services, Inc.	17.865	2.318	0.500	1.500	24%
Deficit Adjustment (Statewide)	2.969	0.000	2.969	0.000	100%
Total	\$32.985	\$3.943	\$5.294	\$2.175	

FQHC: federally qualified health centers
GSF: gross square feet

Source: Department of Budget and Management

Issues

1. Updates to the 2041 Facilities Master Plan

In September 2021, the department submitted the 2041 FMP, as required by the 2018 *Joint Chairmen’s Report* (JCR). The FMP includes an overview of MDH facilities and services; the planning process, background data, and methodology used to inform the recommendations; an assessment of current buildings; an assessment of service and bed needs; and recommendations for the department’s facilities between fiscal 2022 and 2041. MDH has described the FMP as a guiding document that can adapt according to the evolving health needs of the State. The initial work undertaken to publish the FMP aligned MDH-operated facilities with current and projected patient care needs, while factoring in modernization and shifts in models of care. Based on the state of the facilities at the time that the FMP was developed, and the health system needs assessment, FMP recommendations include decommissioning buildings not in use or those unable to be renovated, building new facilities that can provide a higher quality of care in more convenient locations, and cost saving strategies.

The 2023 JCR included narrative requesting a report on updates to the FMP. MDH submitted the report on January 23, 2024. **Exhibit 4** shows recommendations included in the original FMP and indicates which have been updated. Recommendations are organized by the facility service line and timeline. The main updates include halting divestiture of DHHC, WMHC, and USCMHC; accelerating plans for the new FFC and high-intensity RTC; and pausing construction of 24-hour behavioral health crisis centers and a new SETT Center to reassess current and future need.

Exhibit 4
2041 Facilities Master Plan Recommendations and Updates

	<u>Inpatient Behavioral Health</u>	<u>RICA</u>	<u>FFC</u>	<u>DDA</u>	<u>Chronic Care</u>
Phase I: Fiscal 2022 to 2026	Divest Crownsville Hospital Center Halted: Divest USCMHC Paused: Construct four 24-hour crisis centers Consolidate BHA office spaces Assess capacity in Central Maryland	Divest RICA Southern Maryland			Halted: Transition services currently provided at DHHC and WMHC
Phase II: Fiscal 2027 to 2031	Construct replacement hospital building at Springfield Hospital Center		Accelerated to Phase I: Construct new FFC	Paused: Construct new SETT Center Transition DDA inpatient services to community health care providers	Transition care for skilled nursing, long-term acute care, and traumatic brain injury patients.
Phase III: Fiscal 2032 to 2041	Transition Spring Grove Hospital Center services			Renovate the Holly Center Transition SETT patients from Potomac Center to new SETT center Transition Potomac Center services	Transition care for skilled nursing, long-term acute care, and traumatic brain injury patients.

BHA: Behavioral Health Administration
DDA: Developmental Disabilities Administration
DHHC: Deer’s Head Hospital Center
FFC: Facility for Children

RICA: Regional Institution for Children and Adolescents
SETT: Secure Evaluation and Therapeutic Treatment Center
USCMHC: Upper Shore Community Mental Health Center
WMHC: Western Maryland Hospital Center

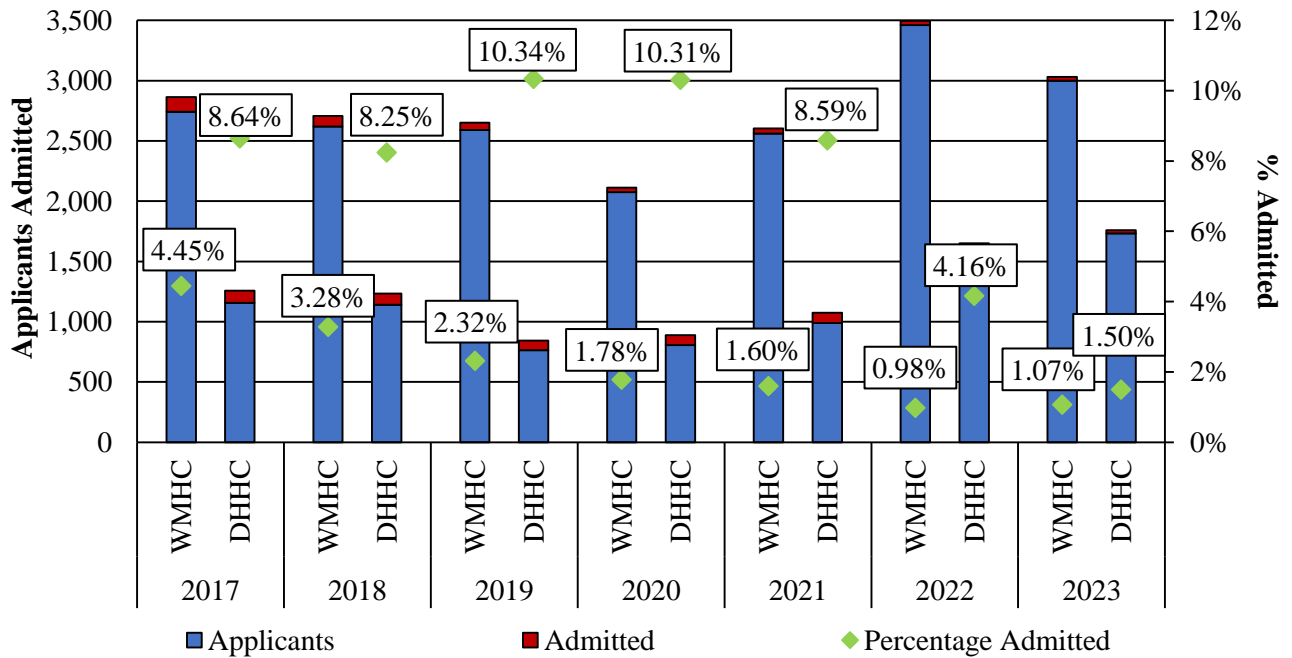
Note: Maintaining operations is included as a recommendation for each service line during each phase of the facilities master plan.

Source: Maryland Department of Health

Halting Divestiture

Initial recommendations to transition services from the two chronic hospital facilities, DHHC and WMHC, arose from perceived opportunities for cost savings. Recent and ongoing assessment by MDH suggests a growing demand for services offered by the two centers. The fiscal 2024 Budget Bill included language requiring MDH to submit a report on applicant numbers and admission rates at DHHC and WMHC. Data from this report is shown in **Exhibit 5**. Following multiple years of decline in applicants and admitted individuals, applications and admissions at DHHC increased beginning in fiscal 2021. From fiscal 2020 through 2022, applications increased at WMHC and in fiscal 2023 remained above pre-fiscal 2022 levels. The FMP included ratings of each facility following a functional assessment. DHHC and WMHC both received ratings of “poor”. Upon review, MDH determined that, despite operating in buildings which require infrastructure upgrades, DHHC and WMHC provide critical services to Marylanders that are not offered in other State care settings. **MDH should comment on any plans for facility improvements at DHHC and WMHC given their “poor” ratings now that the department no longer plans to divest these facilities.**

Exhibit 5
Admission Rates at WMHC and DHHS
Fiscal 2017-2023



DHHC: Deer’s Head Hospital Center
 WMHC: Western Maryland Hospital Center

Source: Maryland Department of Health; Department of Legislative Services

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USCMHC is 1 of the 3 hospital centers in the State that is no longer operated by MDH and not included in the 11 State facilities. Kent County currently operates USCMHC, including the A.F. Whitsitt Center on its campus. The A.F. Whitsitt Center provides behavioral health services on the Upper Shore. MDH invested \$8 million in operating funds in fiscal 2024 to support infrastructure upgrades at this facility.

Accelerating Facility for Children Construction

MDH accelerated the construction of the FFC and high-intensity RTC located at RICA – Baltimore from phase II to phase I, and funding is included in the CIP beginning in fiscal 2026. Due to long and increased waitlists among youth requiring high-intensity treatment, MDH is prioritizing investment in additional bed space in these programs. MDH notes that costs per person are also increasing among youth due to a higher acuity of needs and increasing costs for care. The department estimates that inpatient care for youth represents nearly 25% of annual spending on public behavioral health services. MDH anticipates that the new FFC will be completed spring 2028.

To offset funding for the accelerated FFC project expansion, MDH plans to request approval of a contract for emergency construction on the RICA – John L. Gildner campus through the Board of Public Works (BPW). During fiscal 2024, MDH has opened 12 new beds at RICA – John L. Gildner and anticipates opening 6 additional beds at the beginning of fiscal 2025. **MDH should comment on the need for emergency funding and provide an estimated date for when the contract will be brought to BPW. MDH should also comment on the source of funds to support this contract.**

Appendix 1
Executive’s Operating Budget Impact Statement – State-owned Projects
Fiscal 2025-2029
(\$ in Millions)

	2025	2026	2027	2028	2029
Renovation of Clifton T. Perkins Hospital North Wing					
Estimated Operating Cost	\$0.000	\$0.528	\$1.219	\$1.276	\$1.333
Estimated Staffing	0.0	30.8	30.8	30.8	30.8
Demolish Decommissioned Buildings					
Estimated Operating Cost	-\$0.009	-\$0.009	-\$0.009	-\$0.009	-\$0.009
Estimated Staffing	0.0	0.0	0.0	0.0	0.0
Total Operating Impact					
Estimated Operating Cost	-\$0.009	\$0.519	\$1.210	\$1.267	\$1.324
Estimated Staffing	0.0	30.8	30.8	30.8	30.8

Savings associated with the demolition of decommissioned buildings result from the disconnection of electrical and water utility services at the dormitories at Perkins and the decrease of utilities at RICA – Baltimore. MDH plans to disconnect utilities at RICA – Baltimore on July 1, 2024, the anticipated construction start date at that facility.